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November 5, 2012

Jocelyn G. Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, SC 29210

**Re: Application Regarding the Acquisition of Progress Energy, Incorporated by
Duke Energy Corporation and Merger of Progress Energy Carolinas,
Incorporated and Duke Energy Carolinas, LLC
Docket No. 2011-158-E – Order No. 2012-517**

Dear Mrs. Boyd:

In Order No. 2012-517 Approving Joint Dispatch Agreement (“JDA”), the Public Service Commission of South Carolina (“Commission”) conditioned its approval of the JDA on, among other things, Duke Energy Carolinas, LLC (“DEC”) and Progress Energy Carolinas, Inc.’s (“PEC”) guarantee that their retail customers would receive pro rata benefits equivalent to those approved by the North Carolina Utilities Commission (“NCUC”) in its order ruling upon the companies’ merger application. *Id.* at 41. One such benefit is the requirement that DEC, PEC and the North Carolina Public Staff work with other interested parties to propose within ninety (90) days after the close of the merger, a NCUC rulemaking to standardize the indices used to measure and report electric utility service quality.

DEC and PEC needed additional time to evaluate whether this provision is applicable in South Carolina and, therefore, requested an extension of time until November 5, 2012, to review it. On October 17, 2012, the Commission approved the Standing Hearing Officer’s Directive dated October 3, 2012, granting the extension of time. In the interim, DEC and PEC have evaluated the service quality measures used in South Carolina and believe no rulemaking is necessary.

On a quarterly basis, PEC provides to the South Carolina Office of Regulatory Staff (“ORS”) its System Average Interruption Duration Index (“SAIDI”), which measures the total average time a customer is interrupted. PEC also provides its System Average Interruption Frequency Index (“SAIFI”), which measures the average frequency of sustained interruptions. DEC provides SAIDI and SAIFI information to ORS on an as-needed basis. SAIDI and SAIFI

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are generally accepted in the industry as an appropriate measure of a utility's service quality and ORS uses these numbers as a measure of service quality; therefore, DEC and PEC believe no rulemaking is needed in South Carolina.

Instead of a rulemaking, DEC and PEC would propose that PEC continue reporting its SAIDI and SAIFI numbers on a quarterly basis and that DEC begin reporting these same numbers on the same schedule as PEC.

Sincerely,

A handwritten signature in black ink, reading "Timika Shafeek-Horton". The signature is fluid and cursive, with the first name "Timika" being more prominent.

Timika Shafeek-Horton
Deputy General Counsel

TSH/gw

cc: John Flitter, South Carolina Office of Regulatory Staff
Parties of Record